

OPEN MEETING



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ORIGINAL

MEMORANDUM

Arizona Corporation Commission

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AZ CORP COMMISSION

DOCKET CONTROL

TO: THE COMMISSION JUN 02 2015

FROM: Utilities Division DOCKETED BY

DAB

2015 JUN 2 PM 3 12

DATE: June 2, 2015

RE: IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF REDUCED SYSTEM BENEFITS CHARGES (E-01345A-15-
0134)

Background

The System Benefits charges ("SBC") are a product of the Commission's attempts in the late 1990's to move toward retail electric competition and deregulation of certain portions of traditional electric service. The SBC is designed to be a charge paid by all electric service customers within a public utility corporation's service territory, regardless of whether the customer actually receives electric energy from the incumbent utility. The SBC is defined in A.A.C. R14-2-1601(41) as: "...Commission-approved utility low income, demand side management, Consumer Education, environmental, renewables, long-term public benefit research and development, and nuclear fuel disposal and nuclear power plant decommissioning programs, and other programs that may be approved by the Commission from time to time." The associated dollar amounts are allocated to each program but are collected from ratepayers through the SBC as a part of base rates, not as a separate surcharge. The allocation of costs to be collected through the SBC was established in APS's most recent rate case which was approved by the Commission in Decision No. 73183 (May 24, 2012).

The Application

APS has submitted the instant application which requests a decrease in the SBC. In Decision No. 73183, the Commission approved a Settlement Agreement providing that once APS achieved full funding of its decommissioning obligation related to Unit 2 of the Palo Verde Nuclear Generating Station ("Unit 2"), APS was required to implement, subject to Commission approval, a reduced SBC charge effective January 1, 2016.

Staff's Analysis and Recommendation

APS's SBC is comprised of the following categories of costs: demand-side management (only the amount included in base rates, not the amount collected through the Demand-side Management surcharge); Four Corners & Navajo Coal Reclamation; low-income discounts (related to Rate Schedules E-3 and E-4), renewable energy (only the amount included in base rates, not the amount collected through the Renewable Energy Standard Tariff), Palo Verde Nuclear Generating Station ("PVNGS") Decommissioning, and PVNGS Independent Spent Fuel Storage. In the

instant application, APS proposes a change to only the Unit 2 portion of the PVNGS Decommissioning category.


APS states that it has achieved full funding of the Unit 2 portion of its PVNGS decommissioning obligation. Accordingly, and as directed by Decision No. 73183, APS's application requests a corresponding reduction in the SBC from the current rate of \$0.00297/kWh to the proposed rate of \$0.002458/kWh (a \$0.000512/kWh decrease). APS proposes that the SBC reduction be applied to customer bills as a System Benefits Adjustment ("SBA-2") of negative \$0.000512 per kWh, per proposed Adjustment Schedule SBA-2. Under terms of Decision No. 73183, the proposed rate would become effective January 1, 2016, subject to approval by the Commission.

APS states that the impact on Company retail revenues from the proposed SBC is an overall reduction of approximately \$14.6 million per year. According to bill-impact analysis data supplied by the Company, the proposed SBC will translate into a reduction in the SBC for the typical residential customer of approximately \$0.56 per month.

Staff has reviewed the instant application and supporting documents. Staff believes the application is in compliance with Decision No. 73183 and therefore recommends approval of Adjustment Schedule SBA-2 of negative \$0.000512 per kWh.

Staff further recommends that APS provide notice to customers of the reduced SBC in a bill insert/message in a form acceptable to Staff at the time the new SBA-2 first appears on the bill.

Staff further recommends that APS file in Docket Control an Adjustment Schedule SBA-2 consistent with the Decision in this case, within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:RBL:vsc\MAS

ORIGINATOR: Rick Lloyd

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 SUSAN BITTER SMITH
 Chairman

3 BOB STUMP
 Commissioner

4 BOB BURNS
 Commissioner

5 DOUG LITTLE
 Commissioner

6 TOM FORESE
 Commissioner

7 IN THE MATTER OF ARIZONA PUBLIC
8 SERVICE COMPANY FOR APPROVAL OF
9 REDUCED SYSTEM BENEFITS CHARGES

DOCKET NO. E-01345A-15-0134

DECISION NO. _____

ORDER

10
11 Open Meeting
12 June 16, 2015, and June 17, 2015
13 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Arizona Public Service Company ("APS" or "Company") is certificated to provide
17 electric service as a public service corporation in the State of Arizona.

18 2. On April 23, 2015, APS submitted an application to change the currently authorized
19 System Benefits charges.

20 Background

21 3. The System Benefits charges ("SBC") are a product of the Commission's attempts in
22 the late 1990's to move toward retail electric competition and deregulation of certain portions of
23 traditional electric service. The SBC is designed to be a charge paid by all electric service customers
24 within a public utility corporation's service territory, regardless of whether the customer actually
25 receives electric energy from the incumbent utility. The SBC is defined in A.A.C. R14-2-1601(41) as:
26 "...Commission-approved utility low income, demand side management, Consumer Education,
27 environmental, renewables, long-term public benefit research and development, and nuclear fuel
28 disposal and nuclear power plant decommissioning programs, and other programs that may be
approved by the Commission from time to time." The associated dollar amounts are allocated to each

1 program but are collected from ratepayers through the SBC as a part of base rates, not as a separate
2 surcharge. The allocation of costs to be collected through the SBC was established in APS's most
3 recent rate case which was approved by the Commission in Decision No. 73183 (May 24, 2012).

4 **The Application**

5 4. APS has submitted the instant application which requests a decrease in the SBC. In
6 Decision No. 73183, the Commission approved a Settlement Agreement providing that once APS
7 achieved full funding of its decommissioning obligation related to Unit 2 of the Palo Verde Nuclear
8 Generating Station ("Unit 2"), APS was required to implement, subject to Commission approval, a
9 reduced SBC charge effective January 1, 2016.

10 **Staff's Analysis and Recommendation**

11 5. APS's SBC is comprised of the following categories of costs: demand-side
12 management (only the amount included in base rates, not the amount collected through the Demand-
13 side Management surcharge); Four Corners & Navajo Coal Reclamation; low-income discounts
14 (related to Rate Schedules E-3 and E-4), renewable energy (only the amount included in base rates,
15 not the amount collected through the Renewable Energy Standard Tariff), Palo Verde Nuclear
16 Generating Station ("PVNGS") Decommissioning, and PVNGS Independent Spent Fuel Storage. In
17 the instant application, APS proposes a change to only the Unit 2 portion of the PVNGS
18 Decommissioning category.

19 6. APS states that it has achieved full funding of the Unit 2 portion of its PVNGS
20 decommissioning obligation. Accordingly, and as directed by Decision No. 73183, APS's application
21 requests a corresponding reduction in the SBC from the current rate of \$0.00297/kWh to the
22 proposed rate of \$0.002458/kWh (a \$0.000512/kWh decrease). APS proposes that the SBC reduction
23 be applied to customer bills as a System Benefits Adjustment ("SBA-2") of negative \$0.000512 per
24 kWh, per proposed Adjustment Schedule SBA-2. Under terms of Decision No. 73183, the proposed
25 rate would become effective January 1, 2016, subject to approval by the Commission.

26 7. APS states that the impact on Company retail revenues from the proposed SBC is an
27 overall reduction of approximately \$14.6 million per year. According to bill-impact analysis data
28

1 supplied by the Company, the proposed SBC will translate into a reduction in the SBC for the typical
2 residential customer of approximately \$0.56 per month.

3 8. Staff has reviewed the instant application and supporting documents. Staff believes
4 the application is in compliance with Decision No. 73183 and therefore has recommended approval
5 of the SBA-2 of negative \$0.000512 per kWh.

6 9. Staff has further recommended that APS provide notice to customers of the reduced
7 SBC in a bill/insert message in a form acceptable to Staff at the time the new SBA-2 first appears on
8 the bill.

9 10. Staff has further recommended that APS file in Docket Control an Adjustment
10 Schedule SBA-2 consistent with the Decision in this case, within 15 days of the effective date of the
11 Decision.

12 CONCLUSIONS OF LAW

13 1. Arizona Public Service Company is an Arizona public service corporation within the
14 meaning of Article XV, Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over Arizona Public Service Company and over the
16 subject matter of the Application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated
18 June 2, 2015, concludes that it is in the public interest to approve the Adjustment Schedule SBA-2 of
19 negative \$0.000512 per kWh.

20 ORDER

21 IT IS THEREFORE ORDERED that the reduced System Benefits charges as described
22 under Adjustment Schedule SBA-2 be and hereby is approved, and becomes effective January 1, 2016
23 as discussed herein.

24 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide notice to
25 customers of the reduced SBC in a bill/insert message in a form acceptable to Staff at the time the
26 new SBA-2 first appears on the bill.

27 ...

28 ...

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall file in Docket
2 Control an Adjustment Schedule SBA-2 consistent with the Decision in this case, within 15 days of
3 the effective date of the Decision.

4 IT IS FURTHER ORDERED that this decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 _____
CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

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13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2015.

16
17 _____
18 JODI JERICH
EXECUTIVE DIRECTOR

19
20 DISSENT: _____

21
22 DISSENT: _____

23 SMO:RBL:vsc\MAS
24
25
26
27
28

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2 DOCKET NO. E-01345A-15-0134

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19 Mr. Dwight Nodes
20 Acting Chief Administrative Law Judge, Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington Street
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